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## **Blue-Ribbon Commission on Local Government Reform**

### Governor's Charge to the Commission

The purpose of the Blue-Ribbon Commission on Local Government Reform (hereafter The Commission) is to develop recommendations to reform and restructure local government in Indiana in order to increase the efficiency and effectiveness of its operations and reduce its costs to Hoosier taxpayers.

### **Background**

Indiana currently has about 2,730 local units of government with the authority to levy property taxes. This includes 92 counties, 1,008 townships, 117 cities, 450 towns, and 293 school corporations. Only 9 states in the country have more. To govern all of these units, Indiana elects an estimated 10,746 officials – including 1,100 with responsibility for property tax assessment.

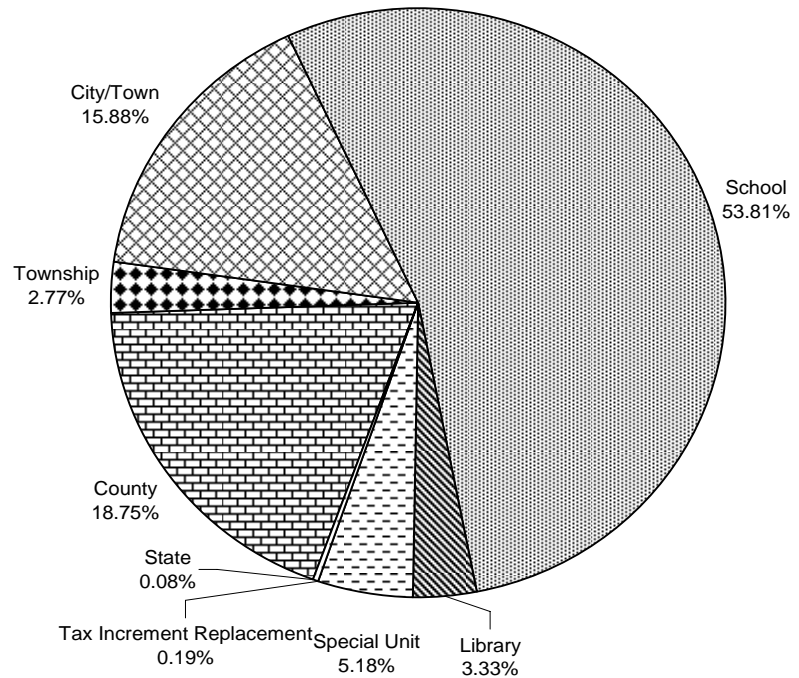
Only 11 states have more than Indiana's 92 counties. Many states that are much bigger geographically and demographically (including California, Florida, Pennsylvania, and New York) have substantially fewer counties and thus county governments. Only 18 states have more school districts. Indiana school districts range in size from more than 30,000 to fewer than 200 students, with 52 districts having fewer than 1,000 pupils. Only 13 states have more library districts. 31 states have no township government, and of the 19 states that do, only 8 have more than Indiana's 1,008 townships.

For its size and population, Indiana has far too much local government. The structure and organization of local government in the Hoosier state has remained fundamentally unchanged since the mid-19<sup>th</sup> Century, the time of the adoption of the state's second constitution. Despite the enormous economic, social, and technological changes that have occurred since that time, Indiana's system of local government would still be very recognizable to Hoosiers from the Civil War era of our history.

As a result of this "layering" of local government, a typical Hoosier pays property taxes to at least five different taxing units, and often many more. Some of these "levies" (the technical term for the share of local government spending paid by property taxes) are capped by state law and can only grow at a fixed rate per year. But other levies are not capped, and these have grown and will continue to grow in an unregulated and rapid manner. The overall result is that, during the past 20 years, property taxes have increased at more than twice the rate of inflation and tax base growth. Since levies have grown faster than the tax base, the result is increased property tax rates and a growing property tax burden for Hoosier citizens.

The chart below shows how property tax levies are divided by unit of local government in Indiana:

**2006 Certified Levy broken down by Unit Type**  
**(\$ 7,821,118,313)**



The table below shows how spending has increased over time for each unit of local government:

<u>Type of Unit</u>	<u>1984 Levy</u>	<u>2005 Levy</u>	<u>CAGR 1984 - 2005</u>
Library	58,566,630	245,949,235	7.07%
School	1,081,791,834	3,998,716,665	6.42%
County	388,992,566	1,347,372,151	6.09%
Township	63,804,403	219,777,503	6.07%
City/Town	360,436,278	1,177,982,764	5.80%
Special Unit	175,494,236	397,763,237	3.97%
TOTAL	2,129,085,947	7,389,367,362	6.10%

Total levy growth during this period has grown at twice the rate of inflation (3%) and tax base growth (2.9%)

Meanwhile, state subsidies for local government spending, in the form of property tax relief credits (PTRC) have skyrocketed, more than doubling since 2002. In the first year of this biennial budget, the state will provide a record level of \$2.3 billion in property tax relief (including both PTRC and fees from the sale of gaming licenses at Indiana's two horse tracks). Without such payments, property tax bills would be even higher.

The unneeded overhead of this antique system drains dollars from our school classrooms, from our public safety first responders, and from the pockets of property taxpayers. Indiana will never be able to provide excellent local services at reasonable tax levels until true reform occurs.

### **Work of the Commission**

The Commission is charged with reviewing previous studies and analyses of local government reform and restructuring in Indiana, as well as gathering any and all additional information it deems necessary, in order to bring to the people of Indiana, by the end of 2007, a set of proposals for changing the structure, organization and the absolute number of units of local government (and local officials) in order to achieve efficiencies and reduce the financial burden of local government on the taxpayers of Indiana. The Commission should not limit itself to what appears to be politically expedient or achievable, but rather should develop recommendations that, if adopted, would make a real difference in the operation and cost of local government.

In conducting its work, the Commission should seek to answer the following simple but critical questions about the future of local government in the Hoosier state:

1. What local government offices might be eliminated to achieve efficiencies and cost savings for Hoosier taxpayers? In specific, should township/county property tax assessors be abolished in favor of a uniform process managed by the state?
2. What local units of government (including schools and libraries) might be successfully consolidated to reduce overhead and administrative expenses?
3. What services or functions of local government might be reduced, eliminated, or provided in new ways to achieve savings for Hoosier taxpayers?
4. Is a Constitutional Convention necessary or desirable as a means to achieve significant reforms in the structure and organization of Indiana state government?